

# NEW BANK FORMATION PROCEDURES

- Notice of Intention (TCA §45-2-202)

Items required under statute *plus*:

Proposed name

“In Organization” must follow name in ALL printing, advertising, etc.

Method of Financing

Offering Circular

Escrow Agreement

Upon acceptance of the Notice of Intention by the Department, stock subscriptions can be solicited. (Cash cannot be required by the offering circular but if voluntarily sent in, the money can be accepted)

- Application (TCA §45-2-205)

Public Notice made in newspaper

Application is joint with the FDIC

Application is reviewed and accepted

When application is accepted Charter can be filed with Secretary of State

Sent to field examiners for investigation

The TDFI and FDIC examiners schedule joint investigation

Investigation is finalized, the Capital level suggested, and additional approval conditions included

Commissioner reviews investigation and then approves with conditions or denies application

**(Subscriptions can now be called and money collected)**

- Certificate of Authority Application (TCA §45-2-212)

Escrow letter stating amount on deposit

Proof of Fidelity Bond

FDIC Insurance

Statement that the Loan, Investment Policy, and other policies have been approved by the Board

Finalized Shareholder list

Requested date of opening

A brief visit is conducted one or two days prior to opening to check facilities and deliver the Certificate of Authority to do banking business.

Total process normally takes between 10 to 12 months. Slowdowns can occur if:

- protests are submitted (you will be notified and a response requested)
- capital is not raised in a timely manner
- scheduling problems with TDFI and FDIC investigation
- problems arise (you will be notified as quickly as possible)
- specialty activities are planned

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(continued)

## **HOLDING COMPANY**

If a holding company is organized at the same time the Federal Reserve will not approve until bank application is well underway and close to approval. The holding company approval and actions by the Federal Reserve normally require an additional 6 weeks in the application process.

## **BONUS/WARRANT/STOCK INCENTIVE PLANS**

Should be disclosed in Offering Circular and Dilution factor explained

Limit to 25% of total offering

Plans should be Incentive/Performance based

No longer than 10 years in duration

Initial Price should be no less than initial stock price or current market value

Should be approved by regulators

Quality Controls should be set on all benchmark figures